

STATE OF UTAH
WATER QUALITY STATE REVOLVING FUND



(Granger-Hunter Improvement District – Project #193)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
State Fiscal Year 2013

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Executive Summary

The State of Utah's Water Quality Revolving Fund (the SRF) was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans to finance the construction of publicly owned water quality preservation and protection facilities.

The Utah Department of Environmental Quality (DEQ) administers the SRF through the Division of Water Quality. The Utah Water Quality Board (the Board) is comprised of nine members who are appointed by the Governor. The Board develops administrative rules for program implementation and authorizes loans under the SRF. Primary SRF activities of the Division of Water Quality include: administering loans for water quality, assisting communities to properly treat and dispose of wastewater, and managing fund transactions.

The Division of Water Quality serves as staff for the Board and manages the day-to-day operations of the SRF. The Division of Water Quality receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of DEQ employees, as well as indirect costs based on direct salary costs, are charged to the SRF. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan. State indirect costs for general state expenses are also charged to the SRF through a cost allocation plan.

With approval from the Environmental Protection Agency, the State of Utah established a Hardship Grant Program during State Fiscal Year 1993. This grant program was partially funded by hardship assessment fees that were charged in lieu of interest on loans awarded through the SRF. Hardship grant assessment payments are deposited into a Federal Hardship Grant Fund, which is separate from the SRF. The Federal Hardship Grant Fund is used to award grants to communities that are otherwise financially unable to participate in the SRF loan program. The SRF financial statements included in this report account for hardship grant assessments, grant awards, and Federal Hardship Grant Fund interest earnings. For loans closed after July 1, 1999, federal hardship grant assessments are used in accordance with the EPA policies and regulations.

Utah also operates a State loan program, which provides Utah the flexibility to fund needed water quality projects without certain restrictions that accompany the SRF program. State match funds for the SRF have been generated from the State loan program.

Mission Statement

The mission of the Department of Environmental Quality is to safeguard human health and quality of life by protecting and enhancing the environment.

Goals, Objectives, and Implementation Plans

Projects which preserve and protect water quality within the State of Utah will be considered for financial assistance. Projects will not be limited to the treatment of municipal waste.

Short-Term Program Goals

1. To authorize funding for projects listed in the Intended Use Plan by assisting communities during facility planning and throughout the application and award process.
 - Each community in the IUP receives facility planning and funding application preparation assistance.
2. To secure funding through the federal EPA Capitalization Grant for wastewater treatment projects.
 - Water Quality prepares the Intended Use Plan, Project Priority List, and Capitalization Grant application on an annual basis.
3. To partner with other granting agencies in order to sufficiently fund unusually large projects.
 - Water Quality assists each community from the beginning stages of application, planning, and design in order to help coordinate funding large projects with multiple funding partners.

Long-Term Program Goals

1. To finance water quality construction projects by providing a permanent funding source which supplements a community's own resources and/or other funding sources.
 - All projects that have been or will be funded from the SRF will receive loans, which require an annual repayment of principal. Since its inception, the fund balance has been increasing steadily. Cash flow projections indicate that the fund will continue to generate a repayment stream for the funding of future projects.
2. To distribute SRF funds to the most environmentally needy projects by evaluating and prioritizing water quality construction needs and environmental needs of proposed projects throughout the state.
 - All projects that have received or are planning to receive loans from the SRF are high priority projects that meet a critical need as defined by the Utah State Project Priority System.

3. To provide sufficient and affordable project funding, which supports EPA's Sustainability Policy, for water quality construction projects by evaluating the economic and environmental needs of a community as well as the use and perpetuity of the SRF.

- The SRF balances the environmental and economic need for individual projects, which support EPA's Sustainability Policy. A financial feasibility review is performed before a project is authorized for a SRF loan. This review evaluates the rate of interest that an entity can afford to pay and its ability to repay a loan. Unless the entity is determined capable of repaying the loan, an authorization is not made.
- The Hardship Grant Program was created specifically to provide funding for projects that would not be able to secure sufficient loan funds due to financial restraints.

4. To assist a community receiving SRF financing throughout construction and beyond.

- The Water Quality Board assists communities addressing needs for adequate wastewater facilities and recognizes that these facilities must be sized for future growth. When helping communities provide wastewater infrastructure for existing and future users, the Board should be satisfied that proper and adequate planning has taken place so that environmental and quality of life problems associated with sprawl are not fostered by its funded projects.

Details of Accomplishments

Financial Status of the SRF

The State Revolving Fund receives Capitalization Grants from the EPA and 20% state match funds for obligated grants.

The fund increases with revenues from interest on loans and interest earned on investment funds. The net income from fund activities continues to increase and the fund balance is increasing steadily.

Assistance Activity

As of June 30, 2013, one hundred and eleven (111) loans have been closed, with all projects having had begun construction. A total of one hundred and five (105) of those projects have completed construction (see Table 1 for details).

Provisions of the Operating Agreement/Conditions of the Grant

The State of Utah agreed to twenty-four conditions in the Operating Agreement. Twelve conditions have been met and need no further description and are as follows:

1. Agreement to Accept Payments

2. State Laws and Procedures
3. State Accounting and Auditing Procedures
4. Recipient Accounting and Auditing Procedures
5. Use of the LOC
6. Repayments
7. Annual Audit
8. Annual Report
9. Annual Review
10. Anti-lobbying
11. Drug Free Workplace
12. Rural Area Business Enterprise Development Plan

The remaining twelve conditions described in the Operating Agreement have also been met and are described below:

13. Provide State Match - State matching funds have either been added to the fund or committed to the SRF in the amount required by the Clean Water Act. State match funds are available from the Utah Wastewater Project Assistance Program.
14. Repayment Begins within One Year of Construction End – Principal and interest repayments of the Utah State Revolving Fund begin within one year of construction completion. This allotted time allows revenue accumulation for one annual loan payment.
15. Extended Term Financing – Utah ensures that the long-term revolving nature of the fund is protected. Based on Clean Water NIMS data, the three-year rolling average for 2011, 2012, and 2013 is \$14,601,800, which is above the established baseline of \$10,770,155.
16. Expeditious and Timely Expenditure - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. (See Table 1 & Table 2 for details.)
17. First Use for Enforceable Requirements - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 1382(b) (5) of the Clean Water Act. This section requires that all Capitalization Grant funds be used first in order to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.
18. Eligible Activities of the Fund - All projects that have received SRF loans have either expended loan proceeds for eligible costs or used “banked equivalency.”
19. Compliance with Title II Requirements - In accordance with Section 1382 (b) (6) of the Clean Water Act, the SRF is required to meet sixteen specific Title II “equivalency” requirements for wastewater treatment projects under Section 212 which have been constructed, in whole or part, before October 1, 1994, with funds “directly made available by the Capitalization Grant.” The State has met equivalency requirements up to October 1,

1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.

20. MBE/WBE Requirements - The State negotiated fair share utilization goals with Region VIII for participation on activities financed by the SRF. During the state fiscal year, the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.
21. Other Federal Authorities - The State and all recipients of SRF funds, which were made available directly by the Capitalization Grant, have complied with applicable federal authorities. Recipients of SRF assistance agreed to this as a condition of the bond agreement between the loan recipient and the State.
22. State Environmental Review Process - During the fiscal year, the State was actively involved in assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
23. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the federal Letter of Credit (LOC) and from the state match for loan projects and administration during the fiscal year.
24. Outlay Projections - The FY13 Intended Use Plan (IUP) projected draws for loans from the federal LOC equal to \$6,795,838. During SFY 2013 a total of \$5,213,364 was actually drawn, which is approximately 77% of the projected amount.

Additional Subsidization

The 2013 Capitalization Grant requires that not less than \$330,013 of assistance provided is in the form of additional subsidies. The maximum amount of additional subsidy assistance that can be authorized is \$495,019. The State of Utah is working to meet this objective by providing principal forgiveness to Echo Sewer SSD and Francis City during SFY 2014.

Green Project Reserve

The 2013 Capitalization Grant requires that at least 10% of the funds, equal to \$700,600, be utilized for water or energy efficiency, green infrastructure, or other environmentally innovative activities. The State of Utah is working to meet this objective by funding Echo Sewer SSD and Francis City during SFY 2014.

Current Status and Proposed Improvements

Since its inception, the State Revolving Fund has been steadily increasing and has grown into a permanent source of financial assistance for the construction of water quality projects throughout the State of Utah.

Each year, there are water quality projects in Utah that do not receive funding directly from the SRF. Utah encourages community self-reliance through prudent planning and cooperative efforts to utilize other sources of available financial assistance.

Many of the larger wastewater treatment facilities located in high population areas of the State have developed their own sources of financing construction without the utilization of the State Revolving Fund. Medium-sized communities heavily rely on the SRF to provide additional assistance in order to make wastewater treatment affordable to their citizens. To allow affordability, communities with small populations use the Rural Development Administration in combination with the Utah Wastewater Project Assistance Program for loans and grants to finance their wastewater projects. The Community Impact Board funding is used by communities located within impacted communities.

Management

The Utah Water Quality Board governs the State Revolving Fund, sets policy, and authorizes assistance. The Division of Water Quality, Engineering Section manages the State Revolving Fund.

TABLE 1

UTAH STATE REVOLVING FUND ACCOMPLISHMENTS TO JUNE 30, 2013

PROJECT Recipient Name	IDENTIFICATION Project Number	E	NE	Type	%	Hardship Assmt	Term	Need	Planned Loan Amount	Actual	Planned Binding Commitment	Actual	Planned Construction Start	Actual	Planned Construction Complete
Smithfield City	101	★		L	0.00%		20 yrs	IVa&b	3,630,300	3,630,300	May-88	Aug-88	May-88	Aug-88	Oct-89
South Davis SID - North	102	★		L	3.00%		20 yrs	I	4,498,440	4,498,000	Jan-89	Jan-89	May-88	Feb-89	Oct-90
Central Davis SID - Ph 4	103a	★		L	3.00%		20 yrs	I	1,250,000	1,250,000	Aug-88	Feb-89	Aug-88	Feb-89	Feb-90
Providence City	104	★		L	0.00%		18 yrs	IVa & b	3,500,000	3,500,000	Sep-89	Sep-89	Sep-89	Nov-90	Nov-90
Sollitude ID Phase I	105	★		L	0.00%		20 yrs	IVb	3,200,000	2,993,000	Sep-89	Mar-90	Sep-89	Apr-90	Jan-91
Central Davis SID - Ph 5&6	103b	★		L	3.00%		20 yrs	I	1,150,000	1,150,000	Aug-88	Apr-90	Aug-88	Feb-89	Aug-91
Central Davis SID - Ph 5&6	108	★		L	5.00%		20 yrs	I	500,000	850,000	Mar-90	Apr-90	Feb-90	Jan-91	Jun-91
South Davis SID - North	107	★		L	5.00%		20 yrs	I	4,300,000	4,205,000	Feb-90	Aug-90	Aug-88	Feb-89	Sep-91
Sollitude ID (phase II & III)	112	★		L	0.00%		20 yrs	IVb&IVa	1,300,000	2,376,716	Mar-91	May-91	Jun-91	Jan-92	May-91
Hyde Park City	106	★		L	0.00%		18 yrs	IV b	1,750,000	800,000	Dec-91	Dec-91	Sep-91	Jan-92	Mar-95
South Weber City	114	★		L	0.00%		20 yrs	IVb&IVa	3,006,000	3,056,000	Mar-92	May-92	Jun-92	Jul-92	Oct-95
South Davis SID - South	115	★		L	4.00%		20 yrs	I	3,441,000	4,475,000	Sep-92	Sep-92	Aug-92	Oct-92	Sep-94
Aurora City	119	★		L	0.00%		20 yrs	IVb, IVa&I	965,000	965,000	May-93	Apr-93	Jul-93	Nov-93	Sep-94
Timpanogos SD (sludge)	125	★		L	3.50%		10 yrs	II	1,300,000	1,300,000	Jun-93	Jun-93	Jul-93	Jun-93	Dec-93
St George City	123	★		L	3.50%		20 yrs	I	4,000,000	4,000,000	Dec-93	Dec-93	Feb-94	Nov-94	Sep-97
Santaquin City	109	★		L	0.00%		20 yrs	IVb, IVa&I	2,307,000	1,307,000	Dec-93	Feb-94	May-94	Apr-94	Jun-96
Orem City	128	★		L	0.00%	3.50%	20 yrs	I	3,500,000	3,500,000	Feb-94	Apr-94	Mar-94	Sep-95	Jun-97
North Davis Co. SID	126	★		L	0.00%	3.50%	20 yrs	II	4,000,000	4,000,000	Dec-93	Jun-94	Jan-94	Aug-94	Apr-96
Snyderville Basin SID	122	★		L	0.00%		20 yrs	I	2,500,000	2,500,000	Mar-94	Jun-94	Oct-95	Aug-94	Jun-96
Magna ID	132	★		L	0.00%	3.50%	20 yrs	IVb, I	2,320,000	2,320,000	Feb-94	Jun-94	Mar-94	Jul-94	Sep-95
Timpanogos SD	135	★		L	0.00%	4.00%	20 yrs	II	2,900,000	2,900,000	Jul-94	Jul-94	Oct-95	Apr-96	Jul-96
Cedar City	117	★		L	0.00%	2.75%	20 yrs	III & IVb	12,010,000	12,010,000	Aug-94	Aug-94	Apr-94	Sep-94	Dec-96
Provo City	131	★	★	L	0.00%	3.50%	7 yrs	II	1,185,000	1,185,000	Dec-94	Apr-95	Jul-95	Feb-96	Oct-96
Jordanville SAD	130	★		L	0.00%	3.00%	10 yrs	IVb	2,137,000	2,736,000	Dec-94	May-95	May-94	May-95	Jul-97
Midway Sanitation District	113	★		L	0.00%	3.00%	10 yrs	IVb	151,000	151,000	Dec-94	May-95	May-94	May-95	Dec-01
Mapleton City	116	★		L	0.00%	3.00%	10 yrs	IVb	4,320,500	6,330,000	May-94	Jun-95	Mar-94	Jul-95	Dec-96
Snyderville Basin SID	134	★		L	0.00%		15 yrs	II	1,500,000	1,500,000	Jul-95	Jul-95	Jul-96	Aug-97	Apr-97
Grantsville City	124	★		L	0.00%		20 yrs	I	3,287,000	3,278,000	Jul-95	Aug-95	Sep-94	Sep-95	Oct-96
Moab City	129	★		L	0.00%	4.50%	10 yrs	I	1,821,000	1,821,000	Apr-96	Sep-96	May-96	May-96	Mar-98
Highland City	144	★		L	0.00%	4.00%	20 yrs	IVa & b	2,500,000	2,176,000	Apr-97	May-97	Apr-97	Apr-98	Apr-99
Central Davis Co. SD	140	★	★	L	0.00%	4.50%	30 yrs	IVa & b	6,054,000	6,104,000	Jul-01	Jul-01	Aug-01	Sep-02	May-04
Nibley City	142	★		L	0.00%	1.00%	20 yrs	I & II	12,000,000	12,000,000	Sep-97	Sep-97	Oct-97	Sep-99	Aug-02
St. George City	138	★		L	0.00%		20 yrs	IVa&b	0	3,070,000	Dec-97	Dec-97	Jul-95	Jul-95	Dec-96
Mapleton City	143	★		L	0.00%	3.50%	20 yrs	I & II	7,570,000	7,570,000	Sep-97	Dec-97	Oct-97	Jan-98	Apr-01
Tooele City	111	★		L	0.00%	2.00%	20 yrs	IVb&IIIa	3,356,000	3,356,000	May-99	May-99	Jun-99	Jun-01	Jul-03
Washington City	213	★		L	0.00%	3.60%	20 yrs	I	2,100,000	2,100,000	Sep-99	Sep-99	Oct-99	Dec-00	Jul-00
Ephraim City	212	★		L	0.00%	1.00%	20 yrs	I	525,000	525,000	Sep-99	Sep-99	Oct-99	Oct-99	Mar-00
Minersville City	209	★		L	0.00%	2.00%	20 yrs	I	563,000	563,000	Oct-99	Oct-99	Oct-99	Mar-00	Mar-00
Escalante City	214	★		L	0.00%	4.00%	20 yrs	IIb	4,000,000	4,000,000	Nov-99	Nov-99	Jan-99	Dec-00	Aug-02
Richfield City	204	★		L	0.00%		20 yrs	I	1,000,000	1,000,000	May-00	May-00	Jun-00	Jun-01	Mar-01
Price River WID	145	★		L	4.00%		20 yrs	IIb	870,000	870,000	Jun-00	Jun-00	Jul-00	Jul-00	May-02
Green River City	110	★		L	0.00%		20 yrs	IIb & IVb	2,725,000	2,725,000	Mar-00	Aug-00	Apr-00	Sep-00	Nov-03
Salina City	211	★		L	1.00%		20 yrs	IIb & IVb	400,000	400,000	Mar-00	Aug-00	Apr-00	Sep-00	Nov-03
Salina City (increase)	218	★		L	2.00%		10 yrs	I	4,000,000	4,190,000	May-00	Dec-00	Nov-00	Feb-01	Oct-03
Snyderville Basin (PR)	146	★		L	0.00%		20 yrs	IIIb	635,000	635,000	Apr-01	Apr-01	May-01	May-01	Nov-03
Sunnyside City	154	★		L	0.00%		20 yrs	IVb	6,536,000	6,536,000	Sep-00	Apr-01	Nov-99	Feb-00	Nov-03
West Haven SD	152	★		L	0.00%		20 yrs	I & IVb	1,585,000	1,585,000	Jul-01	Aug-01	Aug-01	Sep-01	Nov-02
Hildale City	118	★		L	0.00%		20 yrs	I	8,479,000	7,479,000	May-01	Aug-01	May-01	Sep-01	Oct-04
Payson City	148	★		L	4.00%		25 yrs	I	2,230,000	2,230,000	Jul-02	Jul-03	Jul-02	Aug-03	Jul-07
Bear Lake SSD	220	★		L	0.00%		20 yrs	I & IVb	2,950,000	2,050,000	Oct-01	Dec-01	Oct-01	Feb-02	Jul-03
Beaver City	217	★	★	L	0.00%	4.00%	20 yrs	I	400,000	400,000	Jun-02	Jul-02	Jul-02	Sep-03	Jun-03
Oakley City	221	★		L	0.00%		20 yrs	I	1,200,000	1,230,000	Jun-02	Aug-02	Jun-02	Non-02	Dec-99
South Salt Lake City	202	★		L	0.00%		20 yrs	I	1,100,000	1,100,000	Sep-03	Feb-04	Jul-04	Feb-04	Jun-04
Mapleton City	160	★		L	0.00%	2.00%	30 yrs	IIIa & IVb	6,054,000	1,360,000	Jul-01	Feb-03	Aug-01	May-03	May-04
Nibley City (increase)	142	★		L	0.00%		30 yrs	IIIa & IVb	6,054,000	275,000	Jul-01	Jan-04	Aug-01	May-03	May-04
Nibley City (increase)	142	★		L	0.00%	1.30%	20 yrs	I	4,220,000	4,220,000	Aug-03	Dec-03	Aug-03	Aug-03	Feb-06
Hyrum City	209	★	★	L											

TABLE 1 (continued)
UTAH STATE REVOLVING FUND
ACCOMPLISHMENTS TO JUNE 30, 2013

PROJECT Recipient Name	E	NE	Type	%	Assmt	Term	Need	Planned Loan Amount	Actual	Planned Binding Commitment	Actual Binding Commitment	Planned Construction Start	Actual Construction Start	Planned Construction Complete	Actual Construction Complete
Fairview City	120	★	L	0.00%		30yrs	IVa, IVb, I	1,600,000	2,400,000	Feb-04	Jan-04	Mar-04	Feb-04	Mar-04	Jul-05
Gubler	NPS002		★	L	0.00%	12yrs	NPS	43,838	43,838	Feb-04	Jan-04	Mar-04	Feb-04	Mar-04	Jan-04
North Davis Sewer District	157	★	L	2.74%		20yrs	I, II	20,000,000	20,000,000	Jun-03	Jun-04	Oct-03	Jul-04	Oct-05	Feb-06
North Davis Sewer District (Increase)	157	★	L	2.32%		20yrs	I, II	20,000,000	900,000	Jun-03	Mar-05	Oct-03	Jul-04	Oct-05	Jul-09
North Davis Sewer District (Increase)	157	★	L	2.32%		20yrs	I, II	20,000,000	750,000	Jun-03	Mar-05	Oct-03	Jul-04	Oct-05	Jul-09
Central Davis County SD	156	★	L	1.90%		20yrs	IVa & b, I	2,700,000	2,700,000	May-03	May-03	Mar-03	Jun-03	Jun-05	Jun-03
Central Davis County SD (Increase)	156	★	L	0.50%		20yrs	IVa & b, I	2,700,000	405,000	May-03	Apr-05	Mar-03	Jun-03	Jun-05	Nov-08
Central Valley WRF	158	★	L	3.00%		20yrs	IIb	36,100,000	35,000,000	Jul-04	Jul-04	Aug-04	Apr-05	Dec-05	Mar-10
Monroni City	150	★	L	0.50%		20yrs	II	2,635,000	3,700,000	Sep-03	Jun-05	Oct-03	Jun-05	Dec-04	Jul-07
Parowan City	151	★	L	2.75%		20yrs	IVb	3,772,000	3,772,000	Apr-04	Aug-05	Mar-02	Aug-05	Mar-06	Dec-06
Hooper City	136	★	L	0.00%		30yrs	IVa	7,874,000	12,000,000	Apr-04	Jun-06	Mar-05	Jun-06	Apr-06	Apr-08
Gardner	NPS003	★	L	0.00%		20yrs	NPS	83,200	83,200	May-07	May-07	May-07	May-07	May-07	May-07
Waldron	NPS001	★	L	0.00%		20yrs	NPS	80,000	94,640	Jul-06	Jul-06	Jul-06	Jul-06	Jul-06	Jul-06
Jensen	NPS004	★	L	0.00%		20yrs	NPS	41,600	41,600	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07	Mar-07
North Fork SSD	227	★	L	3.00%		20yrs	I & II	1,640,000	3,810,000	Nov-06	Nov-06	Nov-06	Nov-06	Nov-07	Oct-08
Ward	NPS005	★	L	0.00%		20yrs	NPS	31,200	31,200	Jun-07	Jun-07	Jun-07	Jun-07	Jun-07	Jun-07
Ward	NPS006	★	L	0.00%		20yrs	NPS	23,920	23,920	Jun-07	Jun-07	Jun-07	Jun-07	Jun-07	Jun-07
Wolf Creek	837	★	L	3.00%		20yrs	I	5,300,000	5,300,000	Aug-07	Aug-07	Aug-07	Aug-07	Aug-07	Dec-09
Magna Water Co.	838	★	L	0.00%		20yrs	II	5,000,000	5,000,000	Dec-07	Dec-07	Dec-07	Dec-07	Dec-07	Dec-07
Beckstead	NPS007	★	L	0.00%		20yrs	NPS	47,320	47,320	Jan-08	Jan-08	Jan-08	Jan-08	Jan-08	Jan-08
Anhrer	NPS008	★	L	0.00%		20yrs	NPS	20,800	20,800	Jan-08	Jan-08	Jan-08	Jan-08	Jan-08	Jan-08
South Valley WRF	162	★	L	2.30%		20yrs	II	20,100,000	20,100,000	Apr-08	Apr-08	Apr-08	Apr-08	Apr-08	Mar-10
South Valley WRF	162	★	L	2.30%		20yrs	NPS	2,010,000	2,010,000	Apr-08	Apr-08	Apr-08	Apr-08	Apr-08	Mar-10
Richmond City	241	★	L	0.00%		20yrs	I & II	3,316,000	3,316,000	Apr-08	Apr-08	Apr-08	Apr-08	Apr-08	Jun-10
Central Weber SID	242	★	L	2.30%		20yrs	II	20,100,000	10,050,000	Apr-08	Apr-08	Apr-08	Dec-08	Jun-11	Mar-10
Central Weber SID	NPS242	★	L	2.30%		20yrs	II	2,010,000	1,005,000	Apr-08	Apr-08	Apr-08	Dec-08	Jun-11	Mar-10
Wayment	NPS010	★	L	0.00%		20yrs	NPS	114,026	114,026	Sep-08	Sep-08	Sep-08	Sep-08	Sep-08	Dec-11
Eagle Mountain City	234	★	L	1.00%		20yrs	II	6,665,000	6,665,000	Apr-06	Jul-08	Apr-06	Jul-08	Oct-06	Jan-10
Hooper City (Increase)	136	★	L	0.00%		30yrs	IVa	1,000,000	1,000,000	Dec-08	Dec-08	Dec-08	Dec-08	Apr-06	Apr-08
Perry City	244	★	L	3.00%		20yrs	II & IVb	11,350,000	5,675,000	Dec-08	Dec-08	Dec-08	Dec-08	Feb-09	Aug-10
Stockton Town	171	★	L	0.00%		30yrs	I & IVa	7,400,000	7,400,000	Sep-09	Sep-09	Sep-09	Sep-09	Sep-10	Oct-11
Riverdale City	178	★	L	3.00%		20yrs	IIb	1,502,000	1,502,000	Oct-09	Oct-09	Oct-09	Oct-09	Dec-10	Nov-11
Salt Lake City Corporation	173	★	L	0.00%		20yrs	I	6,450,000	6,450,000	Nov-09	Nov-09	Nov-09	Nov-09	Dec-11	Dec-11
Kearns Improvement District	174	★	L	0.00%		20yrs	IIb	5,025,000	5,025,000	Dec-09	Dec-09	Dec-09	Dec-09	Aug-10	Jan-11
Price City	177	★	L	0.00%		20yrs	IIb	850,000	850,000	Dec-09	Dec-09	Dec-09	Dec-09	Sep-10	Nov-12
Roosevelt City	175	★	L	0.00%		20yrs	I & IIb	2,882,000	2,882,000	Dec-09	Dec-09	Dec-09	Dec-09	Dec-10	Nov-10
Salt Lake County	183	★	PF	0.00%		n/a	VII-K	484,200	484,200	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-10
Orem City	172	★	L	0.00%		20yrs	I	11,889,000	11,889,000	Feb-10	Feb-10	Feb-10	Feb-10	Apr-12	Dec-12
Parowan City	176	★	L	0.00%		20yrs	I	512,000	512,000	Feb-10	Feb-10	Feb-10	Feb-10	Nov-10	Aug-10
Utah State University Research Foundation	180	★	PF	0.00%		n/a	II	500,000	500,000	Aug-09	Aug-09	Aug-09	Aug-09	Jan-10	May-10
Snyderville Basin WRD	181	★	PF	0.00%		n/a	VII-K	300,000	300,000	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Aug-12
Ogden City	184	★	PF	0.00%		n/a	VII-K	1,150,000	1,150,000	Sep-09	Sep-09	Sep-09	Sep-09	Sep-10	Dec-12
Salt Lake City Corporation - Green	182	★	PF	0.00%		n/a	VII-K	577,500	577,500	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-11
Utah Division of Wildlife Resources	179	★	PF	0.00%		n/a	VII-K	540,788	540,788	Aug-09	Aug-09	Aug-09	Aug-09	Dec-10	Nov-11
Mona City	166	★	L & PF	0.00%		30yrs	I	11,668,000	11,668,000	Oct-10	Oct-10	Oct-10	Oct-10	May-12	May-12
Mona City	C042	★	PF	0.00%		n/a	I & IVa	610,000	610,000	Sep-11	Sep-11	Oct-10	Oct-10	Apr-12	May-12
Washington Terrace	187	★	L	2.50%		20yrs	IIb	835,000	835,000	Dec-10	Dec-10	Dec-10	Dec-10	Apr-12	Mar-12
Stansbury Park	186	★	L	2.50%		20yrs	I	3,000,000	3,000,000	Dec-10	Dec-10	Dec-10	Dec-10	Dec-12	Mar-12
Ogden City	184-B	★	PF	0.00%		n/a	VII-K	1,000,000	1,000,000	Dec-10	Dec-10	Dec-10	Dec-10	Dec-12	Dec-12
Lindon City	188	★	L	2.50%		20yrs	IIb	3,000,000	3,000,000	Apr-11	Apr-11	Apr-11	Apr-11	Apr-12	Apr-13
Elwood Town	168	★	L & PF	0.00%		30yrs	I & IVa/b	2,941,399	2,941,399	Oct-11	Oct-11	Nov-11	Nov-11	Nov-12	Nov-12
Kearns Improvement District	192	★	L	3.00%		20yrs	IIb	6,555,000	6,555,000	Dec-11	Dec-11	Jan-12	Jan-12	Jun-14	Jun-14
Granger-Hunter Improvement District	193	★	L	2.50%		20yrs	IIb	6,202,000	6,202,000	Jan-12	Jan-12	Feb-12	Feb-12	Mar-13	Mar-13
Santaquin City	169	★	L	1.00%		20yrs	II	6,934,000	6,934,000	Feb-12	Feb-12	Mar-12	Mar-12	Aug-13	Aug-13
TOTAL LOANS									398,302,447						
Total Admin Costs thru CS49000113									7,825,775						
Total Binding Commitments									406,128,222						

TABLE 2
UTAH STATE REVOLVING FUND
CASH DRAW SCHEDULE FOR STATE FISCAL YEAR 2013

Recipient Name	Project Number	Source of Draws		Total Funding Amount	Previously Disbursed	SFY 2013	SFY 2013	SFY 2013	SFY 2013	SFY 2013	Total	*Balance of Funding
		Cap Grant ❖	Second Round ●			July - Sept 1st Qtr	Oct - Dec 2nd Qtr	Jan - Mar 3rd Qtr	Apr - June 4th Qtr			
Elwood Town	167	❖		3,904,882	2,742,000	0	950,000	0	0	950,000	212,882	
Granger-Hunter Improvement District	193		●	6,202,000	1,750,000	0	2,000,000	1,750,000	0	3,750,000	702,000	
Kearns Improvement District	192	❖	●	7,615,000	1,060,000	650,000	720,000	0	500,000	1,870,000	4,685,000	
Santaquin City	169	❖		6,934,000	1,700,000	0	2,500,000	2,129,520	604,480	5,234,000	0	
South Valley WRF	162		●	22,110,000	21,555,000	250,000	0	0	0	250,000	305,000	
DWQ Administrative Costs						80,579	97,040	112,397	66,121	356,137		
TOTAL				46,765,882	28,807,000	980,579	6,267,040	3,991,917	1,170,601	12,410,137	5,904,882	
Federal LOC						80,579	3,548,132	479,645.4	66,121	4,174,477		
State Match						0	718,908	1,762,272	1,104,480	3,585,660		
SRF Repayment Fund						650,000	2,250,000	1,750,000	0	4,650,000		

*Please Note: Balance of Funding may be paid from sources other than the SRF, including Utah Wastewater Loan Funds and Hardship Grant Funds.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF NET ASSETS
June 30, 2013**

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 68,162,513
Receivables:	
Amount due from EPA	-
Loan interest	667,180
Hardship assessments	582,867
Loans Receivable	14,480,676
Total current assets	<u>83,893,236</u>

NONCURRENT ASSETS

Loans receivable	<u>173,059,242</u>
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TOTAL ASSETS	<u><u>256,952,478</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Deposits	27,367
Due to State	637
Due to Other Funds	61,091
Accounts Payable	<u>76,454</u>

TOTAL LIABILITIES	165,549
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NET ASSETS

Unrestricted	<u>256,786,929</u>
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TOTAL NET ASSETS	<u><u>\$ 256,786,929</u></u>
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The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2013**

	<u>Total</u>
OPERATING REVENUES	
Loan interest	\$ 736,693
Hardship assessments	1,987,222
Late Fees	460
EPA Program Administration Fees	72,561
Loan Origination Fees	-
Total Operating Revenues	<u>2,796,936</u>
OPERATING EXPENSES	
Hardship grants	412,896
Principal Forgiveness	950,000
EPA Program Administration	143,747
Total Operating Expenses	<u>1,506,643</u>
OPERATING INCOME (LOSS)	<u>1,290,293</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	422,093
EPA capitalization grants - Loans	4,263,364
EPA capitalization grants - Principal Forgiveness	950,000
State match	2,190,636
Transfers in	71,186
Transfers out	(71,186)
Total nonoperating revenues(expenses)	<u>7,826,093</u>
CHANGE IN NET ASSETS	<u>9,116,386</u>
NET ASSETS, BEGINNING OF YEAR	<u>247,670,543</u>
NET ASSETS, END OF YEAR	<u><u>\$256,786,929</u></u>

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF CASH FLOWS
June 30, 2013**

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from loan interest and penalties	\$ 845,453
Cash received from hardship assessments	2,066,462
Loan origination fees received	-
Loans disbursed	(9,727,080)
Hardship grants disbursed	(963,614)
Principal received on loans receivable	18,407,147
Principal forgiveness disbursed	(445,164)
Grant awards	120,149
Program administration	(187,848)
Origination Fees	-
Net cash (required) by operating activities	<u>10,115,505</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Funds received from EPA capitalization grants - Loans	4,427,144
Funds received from EPA capitalization grants - Principal Forgiveness	786,220
Transfers in	71,186
Transfers out	(71,186)
Funds received from State of Utah	2,190,636
Net cash provided by noncapital financing activities	<u>7,404,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investment income received	422,093
Net cash provided by investing activities	<u>422,093</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,941,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,220,915</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 68,162,513</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,290,293
Changes in assets and liabilities related to operations:	
(Increase)/Decrease in loan interest receivable	108,301
(Increase)/Decrease in hardship assessments receivable	1,639
(Increase)/Decrease in amount due from EPA	1,956,494
(Decrease)/Increase in amount due from State	-
(Decrease)/Increase accounts payable	41,388
(Decrease)/Increase in amount deposits	27,367
(Decrease)/Increase in amount due to State	(44,102)
(Decrease)/Increase in amount due to Other Funds	36,740
(Increase)/Decrease accounts receivable	-
(Increase)/Decrease loans receivable	6,697,385
Net cash (required) by operating activities	<u><u>\$ 10,115,505</u></u>

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Utah Department of Environmental Quality, Division of Water Quality - State Revolving Fund (SRF or Fund) program was established pursuant to federal action in order to assist public water systems by providing low interest rate loans for preservation and protection projects that meet eligibility requirements. The United States Environmental Protection Agency (EPA) allows up to four percent (4%) of the Capitalization Grant award for the administrative costs of the program. Funding from the 4% administration portion of the capitalization grant and from the collection of loan origination fees allows for both the supervision of the SRF program and for management oversight for individual projects.

The Water Quality Board (the Board) is comprised of nine members appointed by the Governor. The Board develops policies and procedures for program implementation and authorizes loans under the SRF program. The Utah Department of Environmental Quality (DEQ) and the Board jointly manage the SRF program. The DEQ, Division of Water Quality reviews loan applications for eligibility, prioritizes eligible projects, monitors loan disbursements and repayments, and conducts project inspections. Through the Utah Code, the legislature has given the Board rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The SRF program receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. Salaries and benefits of employees, as well as indirect costs based on direct salary costs, are accumulated in the state's general fund and charged to the SRF based on actual time spent on SRF activities. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan.

The SRF program is funded by a series of capitalization grant awards from EPA. Grant conditions require States to provide twenty percent (20%) matching funds to the federal Capitalization Grant.

The Fund follow the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

The SRF program and activities are included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The SRF assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net assets is an appropriate determination of accountability.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operation of the SRF are included in the statement of net assets. The SRF has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

In accordance with the Money Management Act, Section 51-7 of the Utah Code, the State Treasurer administers cash and manages investments in the State. The Money Management Act specifies the investments that may be made, which are only high-grade securities. Investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate. Therefore, there is very little market risk because the investments follow the normal swings of interest rates. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Investments in debt and equity securities are reported at fair value in the statement of net assets, and all investment income, including changes in the fair value, are reported in the statement of revenue, expenses, and changes in fund net assets.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The SRF distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net assets. Operating revenues and expenses generally result from carrying out the purpose of the SRF of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include allocated direct salary costs and benefits, allocated indirect costs and allowance for bad debt. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

The EPA capitalization grant and the associated State match are recorded as capital contributions, except for principal forgiveness which is reported as non-operating revenue, and the 4% administrative match which is reflected as operating revenue.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to follow the State of Utah's policy as defined in the State of Utah Comprehensive Annual Financial Report.

Hardship Assessments

The Board has the option to charge a hardship assessment in lieu of interest on reuse loans. Hardship assessments are calculated and paid in the same manner as interest. The restriction for the use of hardship assessments differs from the restriction for the use of interest. Hardship assessments can be used for purposes other than loans, including grants to disadvantaged communities. As of June 30, 2013, accumulated unspent hardship assessments total \$10,774,400.

Loan Origination Fee

The Water Quality Board may charge a Loan Origination Fee up to 1% of the principal loan amount. This fee may be used for any allocable activities under the Act and administration of the loan program. As of June 30, 2013, accumulated unspent loan origination fees total \$523,730.

Budgets

The SRF, as an enterprise fund of the State, does not require appropriation, and therefore, the SRF is not included in Utah's annual appropriation.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, loan repayments and fund earnings. Interest is calculated from the date that funds are advanced. After the final disbursement has been made, the loan agreement is adjusted for the actual amounts disbursed. Loans are amortized over periods up to 30 years. Loan repayments must begin within one year of construction completion or one year from the initial loan disbursement, depending upon the type of loan agreement, and are made on an annual basis.

Loans funded by principal forgiveness grants are advanced to local agencies and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Allowance for Bad Debts

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$0 at June 30, 2013.

NOTE 3 – CASH AND INVESTMENTS

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash and cash equivalents. All cash deposited with the State Treasurer is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short term securities and other investments.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF. Details of the investments of the PTIF can be obtained from the State Treasurer.

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade securities which minimizes credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share of the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, the investments are valued at fair value. The SRF has adjusted the PTIF funds to fair value as of June 30, 2013.

Investments in PTIF are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

Pooled cash held by State Treasurer	\$ 256,966
Public Treasurer's Investment Fund	<u>67,905,547</u>
Total cash and cash equivalents	\$68,162,513

NOTE 4 – LOANS RECEIVABLE

Loans are made to qualifying entities for projects that meet eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal EPA Capitalization Grants; (2) State match funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of an incremental disbursement bonds and proceeds are deposited into an escrow account based on a quarterly schedule of anticipated costs. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective interest rates and hardship assessments on loans vary between 0.0 and 5.0 percent and are generally repaid over 20-30 years. The interest rates on the loans are generally lower than market rates and, in some cases, are non-interest bearing. Loans mature at various intervals and recipients make annual payments.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

NOTE 4 – LOANS RECEIVABLE (CONTINUED)

Loans mature at various intervals through June 30, 2043 and the scheduled principal repayments on loans follows:

Year Ending June 30,	Amount
2014	\$14,480,676
2015	10,451,172
2016	11,228,776
2017	11,408,949
2018	11,175,188
2019 – 2023	53,645,386
2024 – 2028	43,027,018
2029 – 2033	25,173,753
2034 – 2038	4,706,000
2039 – 2043	2,243,000
	\$187,539,918

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceed 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2013 of these major local agencies represent approximately 44 percent of the total loans receivable and are as follows:

Borrower	Authorized Loan Amount	Outstanding Loan Balance
Central Valley Water Reclamation	\$ 35,000,000	\$ 9,756,000
Central Weber Sewer Improvement	\$ 11,055,000	\$ 10,159,676
Hooper City	12,665,000	11,305,000
North Davis County Sewer	21,650,000	18,816,000
Orem City	15,389,000	11,762,757
South Valley Water Reclamation	22,110,000	20,019,000
Total	\$ 117,869,000	\$ 85,944,486

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

NOTE 5 – DUE TO STATE OF UTAH

Due to State of Utah balances are an aggregation of amounts due to employees for salaries and benefits and/or vendors and miscellaneous suppliers paid by the state.

NOTE 6 – CAPITAL CONTRIBUTIONS

The following table summarized the activity of the State's Clean Water Revolving Loan Fund by award year:

Year	Grant Award	Funds Drawn as of June 30, 2012	Funds Drawn During Year Ended June 30, 2013	Total Funds Drawn as of June 30, 2013	Available Funds as of June 30, 2013
1988 – 2005	\$135,393,094	\$135,393,094	\$ -	\$135,393,094	\$ -
2006	4,560,700	4,560,700	-	4,560,700	-
2007	5,596,300	5,596,300	-	5,596,300	-
2008	3,521,700	3,521,700	-	3,521,700	-
2009	3,521,600	3,521,600	-	3,521,600	-
2009 ARRA	20,649,900	20,649,900	-	20,649,900	-
2010	10,736,000	10,736,000	-	10,736,000	-
2011	7,759,000	7,475,457	283,543	7,759,000	-
2012	7,422,000	1,911,756	5,285,925	7,197,681	224,319
2013	7,006,000	-	-	-	7,006,000
Totals	\$206,166,294	\$193,366,507	\$5,569,468	\$198,935,975	\$7,230,319

The following table summarizes the amount of state contributions made to meet match requirements of the EPA grant:

State match paid as of June 30, 2012	\$35,627,888
State match paid during the year ended June 30, 2013	<u>2,190,636</u>
State match paid as of June 30, 2013	\$37,818,524

NOTE 7 – RISK MANAGEMENT

The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the SRF. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY – STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Unaudited

years. Refer to the State's Risk Management disclosure in the June 30, 2013 Comprehensive Annual Financial Reports.

NOTE 8 – CONTINGENCIES AND SUBSEQUENT EVENTS

Authorized Projects

As of June 30, 2013, the total remaining draws for SRF projects with closed loans was \$4,685,000. Draws will be completed during future fiscal years in order to complete wastewater projects in these communities. As of June 30, 2013, the Board had authorized an additional \$8,371,000 for wastewater projects in four communities. However, loan closing had not been completed for these projects.

NOTE 9 – NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted. As of June 30, 2013, the Fund had no restricted net assets or net assets invested in capital assets, net of related debt. Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF NET ASSETS
June 30, 2013**

	SRF Fund	Loan Origination Fee Fund	Hardship Fund	Total
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 56,864,383	\$ 523,730	\$ 10,774,400	\$ 68,162,513
Receivables:				
Amount due from EPA	-	-	-	-
Amount due from State	-	-	-	-
Loan interest	667,180	-	-	667,180
Hardship assessments	-	-	582,867	582,867
Loans Receivable	14,444,999	-	35,677	14,480,676
Total current assets	71,976,562	523,730	11,392,944	83,893,236
NONCURRENT ASSETS				
Loans receivable	171,358,937	-	1,700,305	173,059,242
TOTAL ASSETS	243,335,499	523,730	13,093,249	256,952,478
LIABILITIES AND NET ASSETS				
LIABILITIES				
CURRENT LIABILITIES				
Deposits	-	-	27,367	27,367
Due to State	637	-	-	637
Due to Other Funds	-	-	61,091	61,091
Accounts Payable	2,849	-	73,605	76,454
TOTAL LIABILITIES	3,486	-	162,063	165,549
NET ASSETS				
Unrestricted	243,332,013	523,730	12,931,186	256,786,929
TOTAL NET ASSETS	\$ 243,332,013	\$ 523,730	\$ 12,931,186	\$ 256,786,929

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2013**

	SRF Loan Fund	Loan Origination Fee Fund	Hardship Fund	Total
OPERATING REVENUES				
Loan interest	\$ 736,693	\$ -	\$ -	\$ 736,693
Hardship assessments	-	-	1,987,222	1,987,222
Late Fees	460	-	-	460
EPA Program Administration Fees	72,561	-	-	72,561
Loan Origination Fees	-	-	-	-
Total Operating Revenues	809,714	0	1,987,222	2,796,936
OPERATING EXPENSES				
Hardship grants	-	-	412,896	412,896
Principal Forgiveness	950,000	-	-	950,000
EPA Program Administration	143,747	-	-	143,747
Total Operating Expenses	1,093,747	-	412,896	1,506,643
OPERATING INCOME (LOSS)	(284,033)	0	1,574,326	1,290,293
NONOPERATING REVENUES (EXPENSES)				
Investment income	355,403	-	66,690	422,093
EPA capitalization grants - Loans	4,263,364	-	-	4,263,364
EPA capitalization grants - Principal Forgiveness	950,000	-	-	950,000
State match	2,190,636	-	-	2,190,636
Transfers in	71,186	-	-	71,186
Transfers out	-	(71,186)	-	(71,186)
Total nonoperating revenues(expenses)	7,830,589	(71,186)	66,690	7,826,093
CHANGE IN NET ASSETS	7,546,556	(71,186)	1,641,016	9,116,386
NET ASSETS, BEGINNING OF YEAR	235,785,457	594,916	11,290,170	247,670,543
NET ASSETS, END OF YEAR	\$243,332,013	\$523,730	\$12,931,186	\$256,786,929

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF CASH FLOWS
June 30, 2013**

	SRF Loan Fund	Loan Origination Fee Fund	Hardship Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from loan interest and penalties	\$ 845,453	\$ -	\$ -	\$ 845,453
Cash received from hardship assessments	-	-	2,066,462	2,066,462
Loan origination fees received	-	-	-	-
Loans disbursed	(9,697,080)	-	(30,000)	(9,727,080)
Hardship grants disbursed	-	-	(963,614)	(963,614)
Principal received on loans receivable	17,887,366	-	519,781	18,407,147
Principal forgiveness disbursed	(445,164)	-	-	(445,164)
Grant awards	120,149	-	-	120,149
Program administration	(187,848)	-	-	(187,848)
Origination Fees	-	-	-	-
Charges for services	-	-	-	-
Project administration	-	-	-	-
Net cash (required) by operating activities	8,522,876	-	1,592,629	10,115,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Funds received from EPA capitalization grants - Loans	4,427,144	-	-	4,427,144
Funds received from EPA capitalization grants - Principal Forgiveness	786,220	-	-	786,220
Transfers in	71,186	-	-	71,186
Transfers out	-	(71,186)	-	(71,186)
Funds received from State of Utah	2,190,636	-	-	2,190,636
Net cash provided by noncapital financing activities	7,475,186	(71,186)	-	7,404,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investment income received	355,403	-	66,690	422,093
Net cash provided by investing activities	355,403	-	66,690	422,093
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,353,465	(71,186)	1,659,319	17,941,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,510,918	594,916	9,115,081	50,220,915
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 56,864,383	\$ 523,730	\$ 10,774,400	\$ 68,162,513
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (284,033)	\$ -	\$ 1,574,326	\$ 1,290,293
Changes in assets and liabilities related to operations:				
(Increase)/Decrease in loan interest receivable	108,301	-	-	108,301
(Increase)/Decrease in hardship assessments receivable	-	-	1,639	1,639
(Increase)/Decrease in amount due from EPA	1,956,494	-	-	1,956,494
(Decrease)/Increase in amount due from State	-	-	-	0
(Decrease)/Increase accounts payable	2,849	-	38,539	41,388
(Decrease)/Increase in deposits	-	-	27,367	27,367
(Decrease)/Increase in amount due to State	(44,102)	-	-	(44,102)
(Decrease)/Increase in amount due to Other Funds	-	-	36,740	36,740
(Increase)/Decrease accounts receivable	-	-	-	-
(Increase)/Decrease loans receivable	6,783,367	-	(85,982)	6,697,385
Net cash (required) by operating activities	\$ 8,522,876	\$ -	\$ 1,592,629	\$ 10,115,505

The accompanying notes are an integral part of the financial statements.